

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 NSCE-00 NIC-01 PA-04 PRS-01 USIA-15 L-03

H-03 AID-20 CIAE-00 COME-00 EB-11 FRB-02 INR-10

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08 CEA-02 AGR-20

CU-04 IO-14 DRC-01 INT-08 SCEM-02 /207 W

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R 280805Z NOV 73

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 8829

INFO USLO PEKING

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

C O N F I D E N T I A L HONG KONG 11899

DEPT PASS TREASURY

E.O. 11652: GDS

TAGS: EFIN, CH

SUBJ: PRC TRADE AND FINANCE

REF: PEKING 1511

SUMMARY:

IN RECENT PERIODIC CONVERSATION WITH TREASURY REPRESENTATIVE CHEN HUNG, SUB-MANAGER BANK OF CHINA, MADE NUMBER OF COMMENTS ON PRC'S WHEAT AND RICE TRADE, OIL EXPORTS, DESIRABILITY OF MFN FOR EXPORTS TO US AND PAYMENTS MECHANISM FOR SINO-US TRADE.
END SUMMARY

1. CHINESE EXPORTS-CHEN MADE FOLLOWING REMARKS: (A) RICE EXPORTS ABOUT COVER WHEAT IMPORTS. (SINCE CONTEXT WAS MONETARY, THIS IMPLIED THAT EARNINGS FROM RICE PAID FOR WHEAT IMPORTS.)

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(B) NEAR-TERMS PROSPECTS FOR EXPANSION OF OIL EXPORTS WERE

SMALL AND REFERRED TO RECENT SALES TO HONG KONG AS NEGLIGIBLE;
(C) MFN HAD IMPORTANT ECONOMIC BENEFITS FOR PRC BECAUSE IT WAS
IN COMPETITION ON MANY PRODUCTS WITH OTHER EXPORTERS WHO
ENJOYED IT. CHINA IN THIS SITUATION WOULD HAVE TO ACCEPT
LOWER PRICE TO MAKE SALES; AND (D) MENTIONED INTEREST IN LIGHT
INDUSTRIAL EXPORTS SUCH AS BICYCLES WHICH HE BELIEVED HAD BEEN
SOLD TO US.

2. SINO-US TRADE PAYMENTS -CHEN'S ACCOUNT OF PAYMENTS CONFORMS
WITH OTHER INFORMATION. CHINESE IMPORTS ARE PAID FOR BY
DEBITING PRC ACCOUNTS IN THIRD COUNTRY BANKS WITH BRANCES IN
THE US. CHINESE EXPORTS ARE PAID FOR BY LETTERS OF CREDIT OPENED
IN THEIR FAVOR AND SENT TO PEKING, SHANGHAI OR OTHER DESTINATIONS
WHICH ARE THEN COLLECTED BY BOC. THESE L/CS ARE NOT ALWAYS IN
DOLLARS. AN ALTERNATIVE METHOD ADOPTED BY SOME BANKS IS TO
OPEN RMB ACCOUNTS IN BOC WHICH WOULD THEN BE DEBITED TO PAY FOR
CHINESE EXPORTS.

3. CHEN EXPRESSED AN INTEREST IN EFFECT OF OIL SHORTAGES ON
US, COUNTRIES TO WHICH US EXPORTED RICE, CURRENT US HARVESTS,
AND OUTLOOK FOR HK ECONOMY NEXT YEAR.

4. COMMENT: STATEMENT ABOUT WHEAT AND RICE SEEMS SIMILAR TO
LI CH'ANG STATEMENT IN REFTTEL. INFORMATION AVAILABLE HERE
INDICATES THAT SUCH VOLUME RICE EXPORTS COULD ONLY BE POSSIBLE
BY TRADE WITH COMMUNIST COUNTRIES WHERE FACTS ARE OBSCURE.
WHILE PRC WOULD NOT RECEIVE HARD CURRENCY FROM EXPORTS TO
COMMUNIST TRADING PARTNERS, IT WOULD RECEIVE IMPORTS WHICH
MIGHT OTHERWISE HAVE TO BE PAID FOR WITH HARD CURRENCY
UNLESS RICE EXPORTS WERE PART OF CHINESE AID PROGRAM.
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